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*The wealth chasm:  
from inequality to inclusion  
in housing, pensions and  
financial assets*

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25<sup>th</sup> May 2010

School of Social Policy and Birmingham Business School  
Centre on Household Assets and Savings Management  
(CHASM)

*The wealth chasm:  
from inequality to inclusion in housing,  
pensions and financial assets*

Financial capability

□ Stuart Bailey

Consumer Financial Education Body

APRIL 2010

# Financial Capability

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**cfeb** consumer  
financial  
education  
body

# What is financial capability?

Financial capability is about being able to:

- Manage your money;
  - Keep track of your finances;
  - Plan ahead;
  - Choose financial products suitable for your needs;
  - Stay up-to-date about financial matters.
- 
- How financial capability fits within the financial inclusion landscape:

*‘Financial inclusion is a state in which all people have access to appropriate, desired financial products and services in order to manage their money effectively. It is achieved by financial literacy and financial capability on the part of the consumer, and financial access on the part of product, services and advice suppliers’ (Transact, the national forum for financial inclusion, 2007)’*

- CFEB – the Consumer Financial Education Body – was established by the Financial Services Authority (FSA) and is responsible for helping consumers understand financial services in the UK and manage their finances better.
- Working with government, consumer bodies, voluntary organisations, industry and the media, we lead the National Strategy for Financial Capability with the aim of improving the nation's knowledge and understanding of personal finance.
- We aim to reach 10 million people by 2011. Over 9 million have been reached so far.



We share a vision of better  
informed, educated and more  
confident citizens, able to take greater  
responsibility for their financial affairs

# The Need for Financial Capability – The Baseline Survey

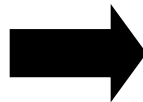
- In 2005 the FSA commissioned a survey of 5,300 people (face to face)
- The **main themes** (and effects) emerging were:

Many people fail to plan ahead adequately for retirement or an unexpected drop in income.



**Unless action is taken, the UK population will store up problems for the future.**

A small proportion of people have debt problems, but they are often very severely affected.



**Many people could be tipped into financial difficulties by a small change in their circumstances.**

People do not take adequate steps to choose products that meet their needs.



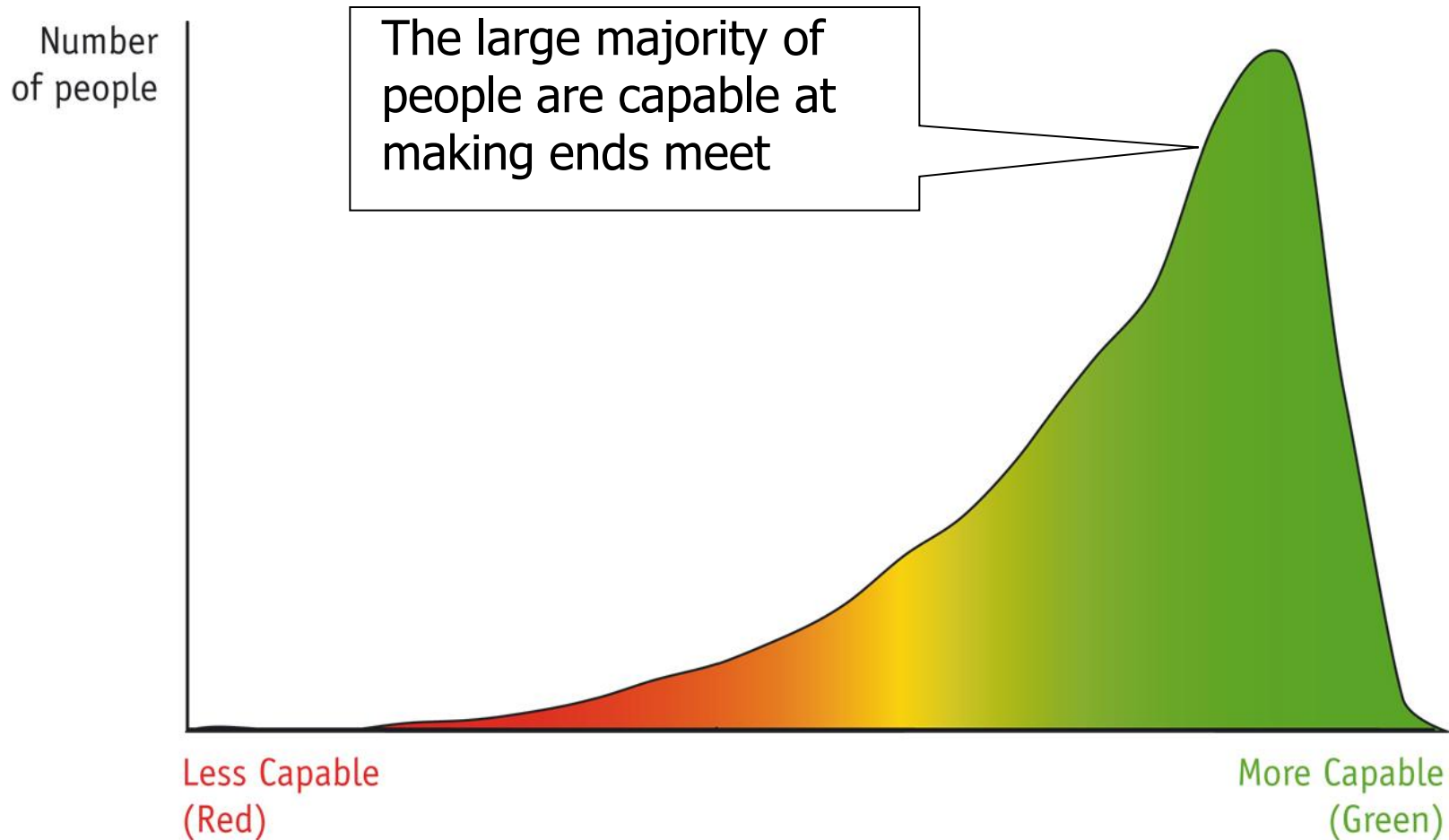
**Many people are taking on inappropriate risks and not shopping around for good deals.**

The under 40s are less capable, on average, than their elders.

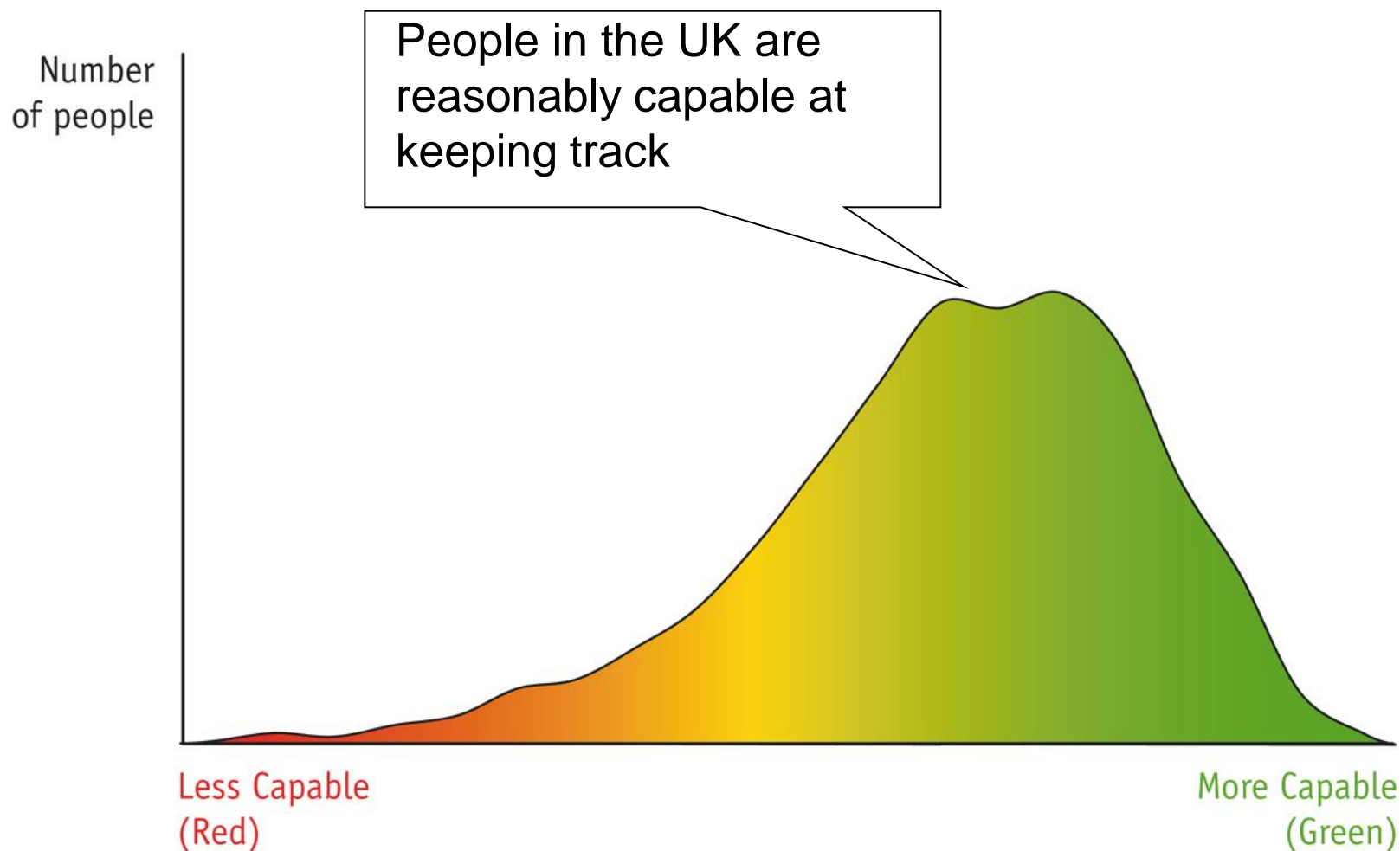


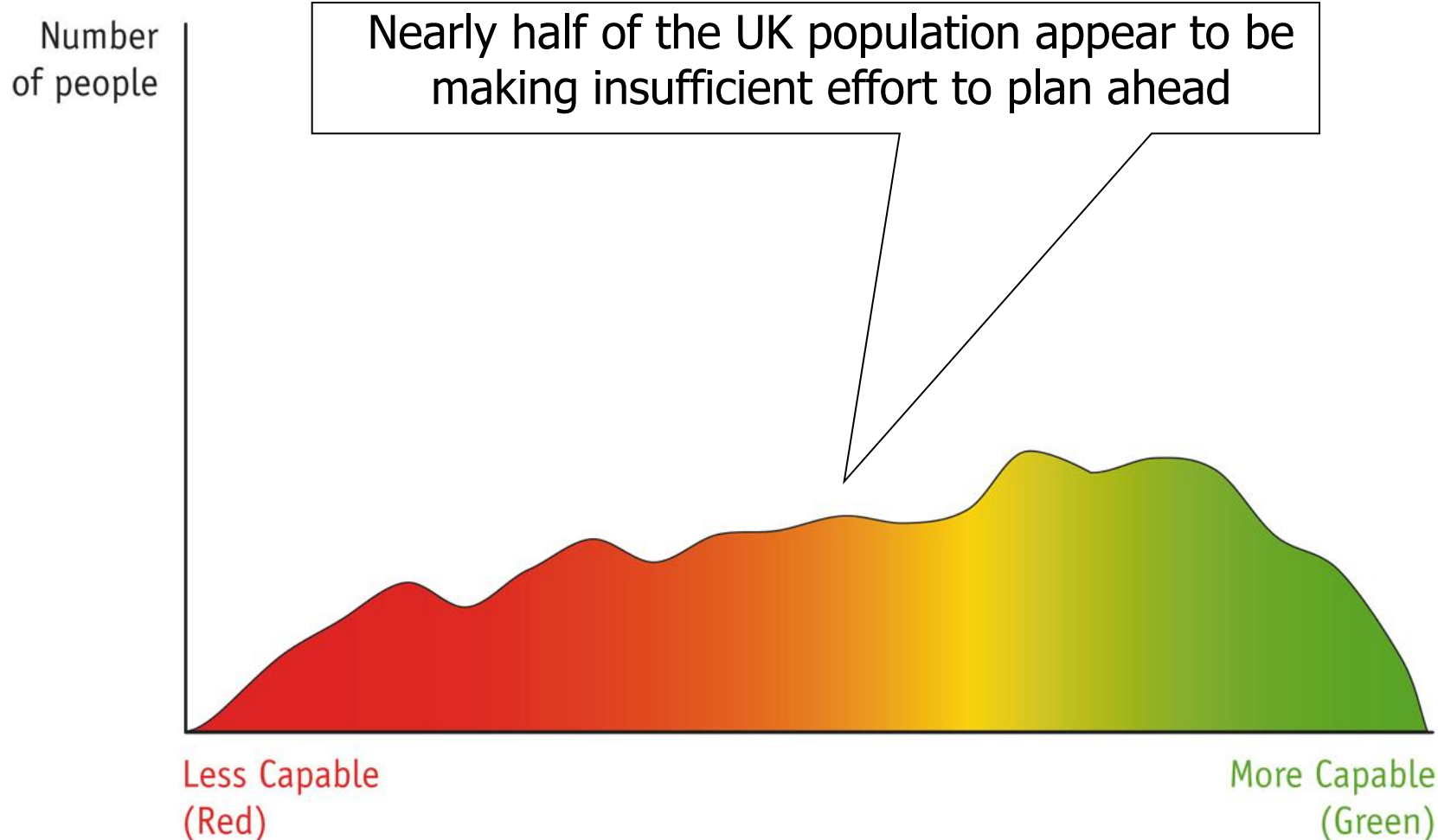
**The greatest demands are made on those least equipped to deal with them (e.g. the under 40s).**

# Baseline Survey – Making Ends Meet

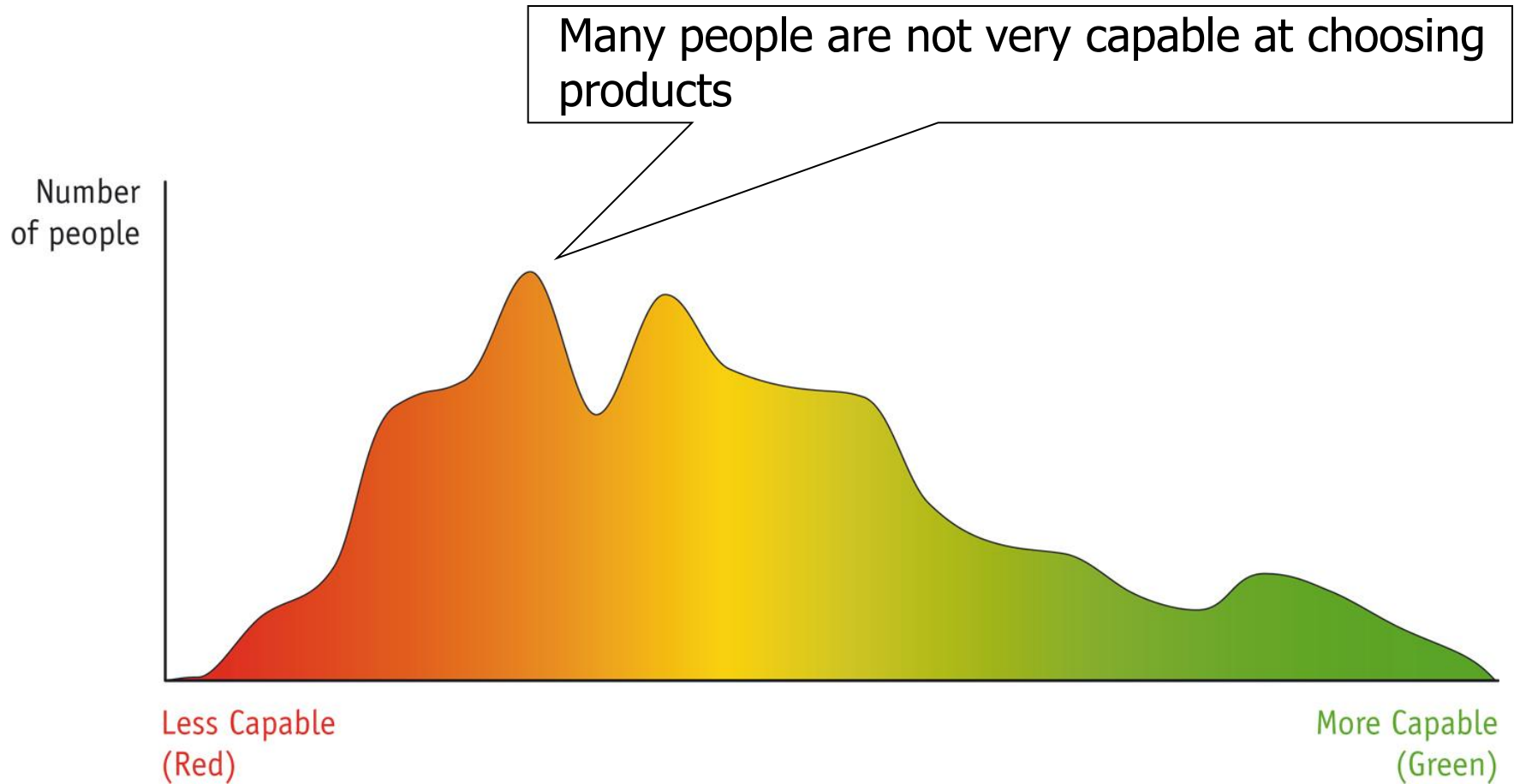


# Baseline Survey- Keeping Track

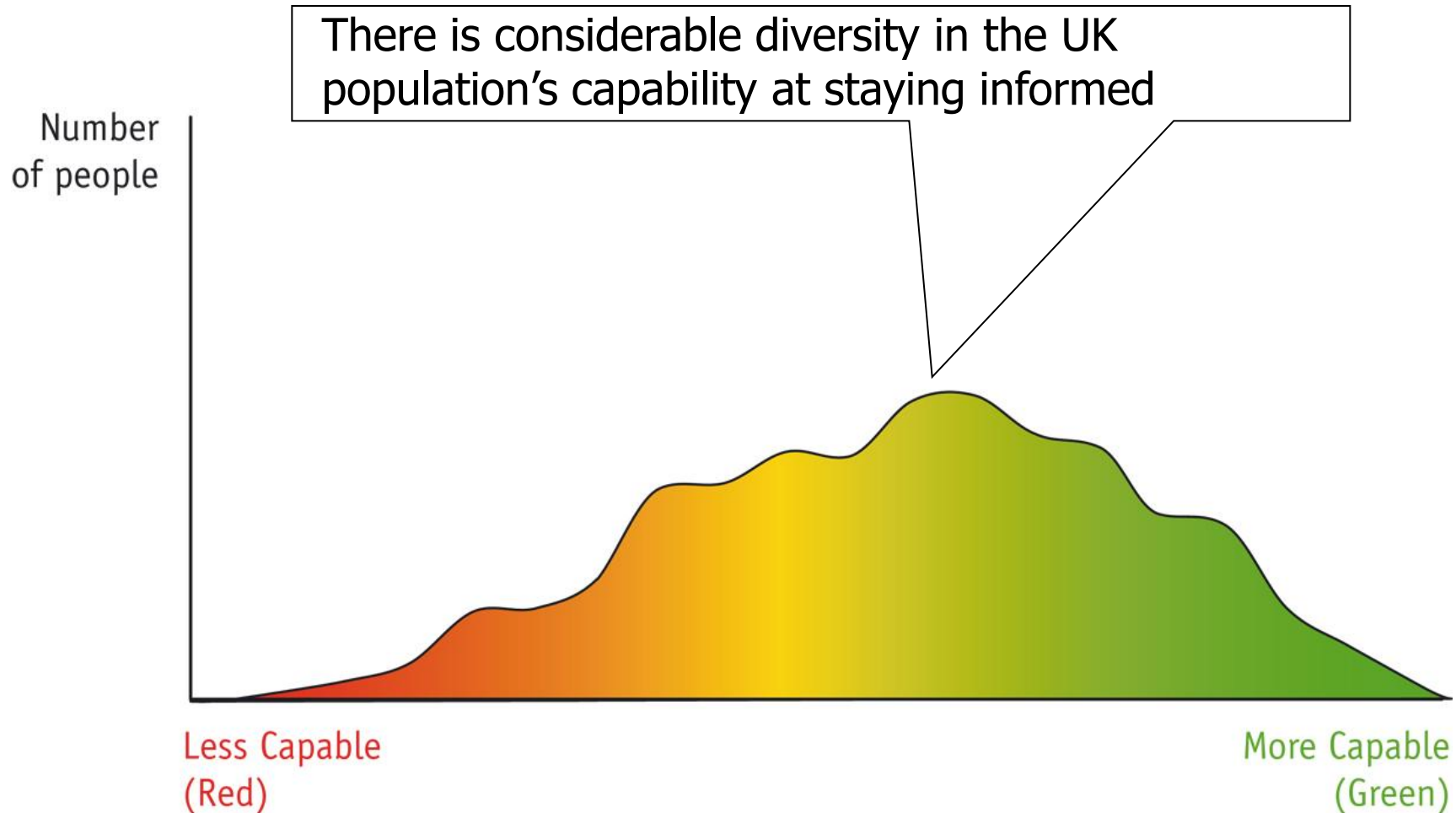




# Baseline Survey- Choosing Products



# Baseline Survey- Staying Informed



## The need for financial capability – link with psychological wellbeing

- Recent research indicates that changes in financial capability drive changes in psychological wellbeing.
- Findings show that lower financial capability leads to greater mental stress, lower reported life satisfaction, and a greater likelihood of reporting health problems associated with anxiety or depression.
- moving from low to average levels of financial capability:
  - increases psychological wellbeing by 5.6%;
  - increases life satisfaction by 2.4%; and
  - decreases anxiety and depression by 15%



**Source:** Evidence taken from the British Household Panel Survey covering the period 1991–2006.  
Information taken from FSA report Occasional Paper 34 - <http://www.fsa.gov.uk/pubs/occpapers/op34.pdf><sup>12</sup>

# Our five year programme of action

## Education



## Young Adults



## Workplace



## Online Tools



## Consumer Communications



## Charity/Third Sector



## New parents



## Money Guidance



Our goal is that by 2011 we will have reached 10 million people

- Economic wellbeing and financial capability is a strand within Personal Social Health and Economic (PSHE) education for secondary schools in England.
- Skills related to financial capability is embedded into the functional maths component of GCSE maths
- FSA is providing funding to **Pfeg** to help schools and teachers prepare for these changes
- By 2011, we aim to reach 4,000 secondary schools



The Money Doctors project aims to:

- Equip Student Money Advisers with the skills to proactively educate students and encourage preventative actions.
- Encourage students to take responsibility for their finances.
- Increase student confidence so that they are better equipped to deal with future financial issues – and achieve financial capability for life.





Programme aimed at the 1.25m young people who are not in education, employment or training.

- We offer a free training day with resource pack for youth work intermediaries to help them deliver money management and personal finance skills to young people.
- We aim to reach at least 20,000 youth work professionals by 2011.



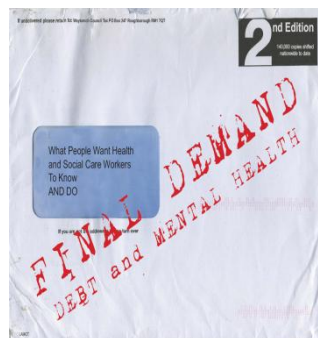
**Young Adults Website** – [www.whataboutmoney.info](http://www.whataboutmoney.info)

- From buying their first car, to starting work and leaving home, it has information most relevant to their needs.

- CFEB recognises that some people need a targeted financial capability intervention, and works with partners such as the National Autistic Society to develop resources and programmes.

- Our current focus include:

- Learning disabilities
- Mental health
- Offending
- Autism
- Social Housing



**The *Parent's Guide to Money* provides a one stop shop for information on a range of money matters and signposts parents to additional sources of information.**



- The Guide is being distributed through midwives and additional support is being provided by a range of professionals working with families (e.g. Children's Centres and Family Information Services).
- We aim to reach 1.5 million new parents by 2011

- A free and impartial one to one service to help consumers with everything from budgeting to borrowing, savings to mortgages.
- Telephone service (at 0300 500 5000)
- Face-to-face service currently available in:
  - Northern England
  - London
  - South Wales
  - Glasgow
  - Northern Ireland
- Opportunities to host a Money Guide



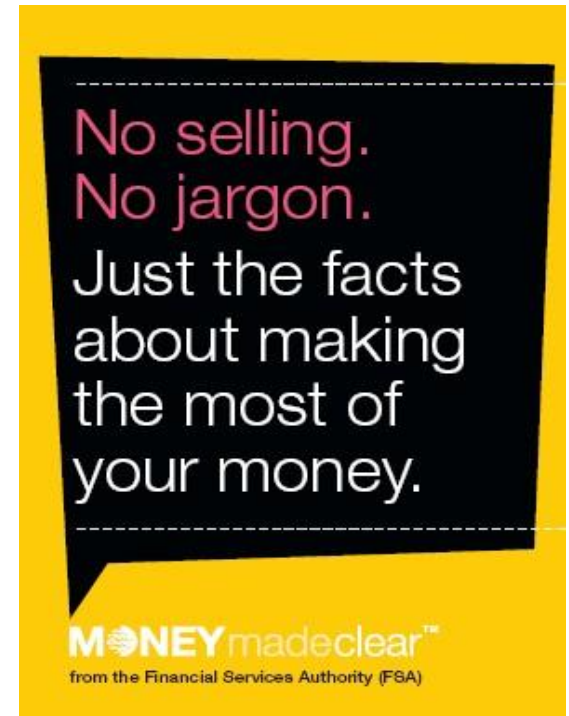
# The Workplace Programme (1)

## Making the Most of Your Money

We provide financial education to employees in their place of work. The programme consists of an hour-long seminar delivered by trained presenters and a comprehensive booklet.

We have worked with over 1000 employers across the UK to date and are well over half way towards meeting our target of reaching 4mn consumers by 2011.

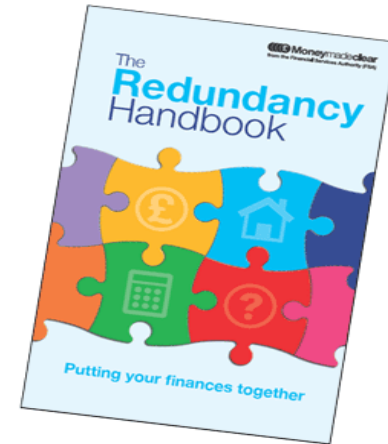
- "Following the seminar I made changes to my finances which resulted in total savings of over £4,000."
- "Opened my eyes to the importance of saving for retirement early."
- 79% said it gave them more skills to deal with money, and 81% had an increased knowledge about money issues.



# The Workplace Programme (2)

## The Redundancy Handbook

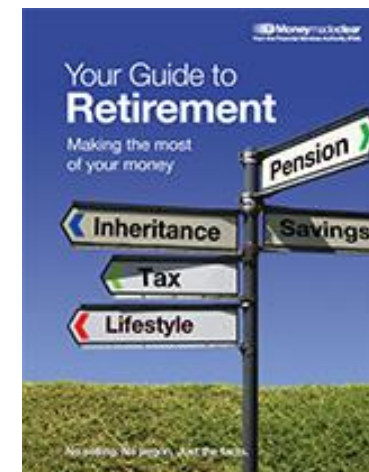
Our in-depth guide provides information for people at risk of job loss or going through redundancy, to help them understand their rights, stay in control of their finances and move forward. We also offer a redundancy seminar in the workplace similar to the Making the Most of Your Money but with a focus on redundancy issues.



## Your Guide to Retirement

Designed to be used by people between six and 12 months from retirement and covers:

- Pensions
- Entitlements
- Managing money and tax
- Saving and Investing
- Later Life



# Employee Literature

Our “Making the most of your money” guide provides an overview and tips on everyday personal money management

The guide is one of a range of free consumer publications that employees can order or download from our website.



## Subjects include:

- Borrowing and Budgeting
- Saving and Investing
- Insurance
- Mortgages
- Planning for Retirement

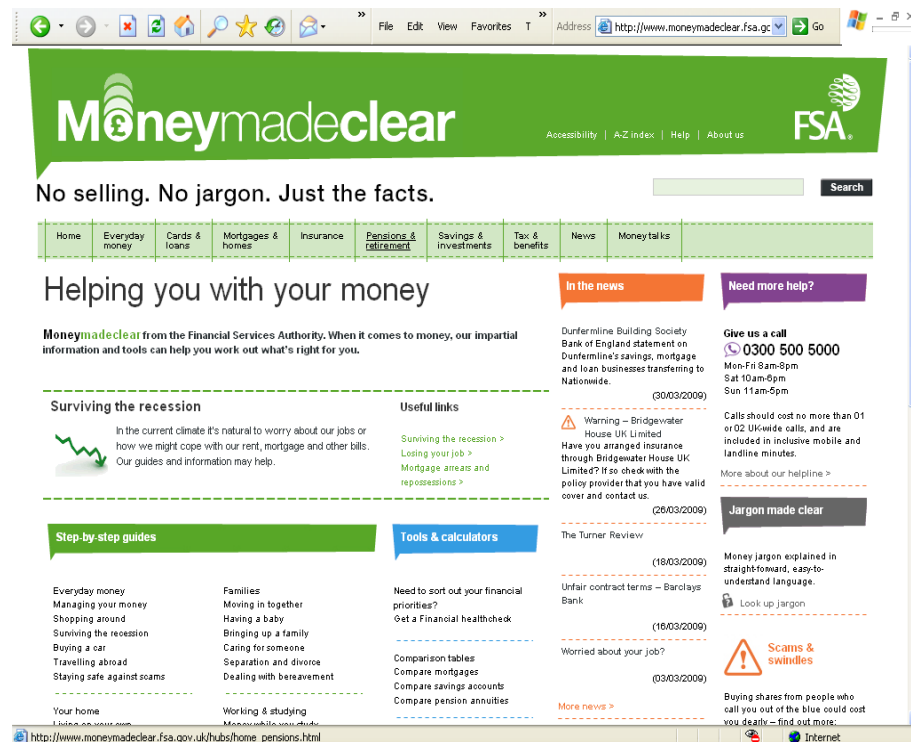
The Making the most of your money guide is **100% recyclable**, printed with vegetable based inks and uses TFC paper from a sustainable source.

# Web Tools

Free impartial, practical information and tools to help consumers help themselves make informed decisions about their money.

Easy to use, and all our content – available online and as printed guides – is written in 'bite-size' chunks which are easy to digest.

Links to [www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk) via the other sites can help support existing activity.



**No selling. No jargon. Just the facts.**

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